

## Message Text

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ACTION OPIC-06

INFO OCT-01 NEA-10 ISO-00 EB-08 AID-05 TRSE-00 COME-00  
CIAE-00 INR-07 NSAE-00 /037 W  
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R 130819Z OCT 77  
FM AMEMBASSY CAIRO  
TO SECSTATE WASHDC 397  
INFO AMCONSUL ALEXANDRIA  
AMEMBASSY DAMASCUS

C O N F I D E N T I A L CAIRO 16941

E.O. 11652: GDS  
TAGS: EINV ETRD EG  
SUBJ: FORD PROJECT

1. SUMMARY: FORD REP OUROUSSOFF CONFIRMS TO US THAT NO AGREEMENT WAS SIGNED DURING MEETINGS BETWEEN GOE AND FORD OFFICIALS IN WASHINGTON AND SUBSEQUENTLY IN LONDON. PRIOR TO SEPTEMBER 29 WASHINGTON MEETING BETWEEN PARTIES, MININD SHAHIN SENT KAISSOUNI MESSAGE RAISING OBJECTIONS TO VARIOUS ASPECTS OF FORD PROPOSAL AND SAYING THAT HE (SHAHIN) WOULD NOT AGREE TO ANYTHING MORE THAN 25 PERCENT PROTECTION FOR JOINT VENTURE. AT LONDON MEETING, KAISSOUNI URGED FORD TO SEND HIM A MESSAGE WHICH WOULD RE-STATE COMPANY'S POSITION, MAKING ANY POSSIBLE FURTHER ADJUSTMENTS TO MEET SHAHIN'S OBJECTIONS, AND HE (KAISSOUNI) WOULD SEE WHAT COULD BE DONE IN CAIRO. OUROUSSOFF NOW AWAITING TELEX FROM FORD IN RESPONSE KAISSOUNI REQUEST. END SUMMARY.

2. FOR REP OUROUSSOFF, RECENTLY BACK FROM EUROPE, CONFIRMS THAT GOE/FORD MEETINGS IN WASHINGTON ON SEPTEMBER 29 AND SUBSEQUENTLY IN LONDON FAILED TO PRODUCE ANY AGREEMENT ON FORD INVESTMENT PROJECT. PRIOR TO WASHINGTON MEETING, OUROUSSOFF SAYS, DEPPRIMIN KAISSOUNI RECEIVED MESSAGE FROM MININD SHAHIN OBJECTING TO  
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VARIOUS ASPECTS OF FORD PROPOSAL AND TO COMPANY'S FINANCIAL CALCULATIONS. SHAHIN MESSAGE INCLUDED FOLLOWING POINTS: 20 PERCENT RETURN PREVIOUSLY DISCUSSED WITH COMPANY SHOULD BE REGARDED AS AN ABSOLUTE MAXIMUM IN ANY YEAR, NOT AS AN AVERAGE OVER SEVERAL YEARS; COMPANY HAS OVER-VALUED ALEXANDRIA PLANT; TRAINING AND TECHNICAL SERVICES FEES TO BE CHARGED BY COMPANY

ARE INFLATED; PROFITS FROM SALE OF SPARE PARTS ARE NOT INCLUDED IN CALCULATIONS (OUROUSSOFF ACKNOWLEDGED THAT SHAHIN HAS VALID POINT HERE). IN VIEW OF THESE CONSIDERATIONS, SHAHIN REPORTEDLY SAID HE WOULD NOT AGREE TO ANYTHING MORE THAN 25 PERCENT PROTECTION (DIFFERENTIAL BETWEEN CKD AND BTU TRUCKS) FOR JOINT VENTURE. AS 25 PERCENT WAS UNACCEPTABLE TO FORD, NO AGREEMENT WAS REACHED.

3. OUROUSSOFF SAID THAT IN COURSE OF GOE/FORD DISCUSSIONS, VARIOUS POSSIBILITIES WERE RAISED FOR STRUCTURING FORD PROJECT IN WAY WHICH WOULD BE ACCEPTABLE TO BOTH SIDES. COMMITMENT BY GOE TO BUY GREATER PART OF JOINT VENTURE'S PRODUCTION, FOR EXAMPLE, MIGHT HELP ALLEVIATE FORD'S CONCERN ABOUT NEED FOR DIFFERENTIAL. NOTHING DEFINITE, HOWEVER, WAS SETTLED. AT END OF LONDON MEETING, KAISOUNI ASKED WILLIAMS TO GO BACK TO DETROIT, RECONSIDER PROJECT, AND MAKE ANY ADJUSTMENTS POSSIBLE WHICH MIGHT MEET SHAHIN'S OBJECTIONS. KAISOUNI SAID WILLIAMS SHOULD THEN SEND HIM A TELEX RESTATING COMPANY'S POSITION ON ISSUES, AND HE, KAISOUNI, WOULD SEE WHAT COULD BE DONE IN CAIRO TO REACH AGREEMENT. OUROUSSOFF DOES NOT KNOW WHAT FORD'S REPLY WILL BE, BUT SAYS HE IS CONCERNED THAT IF COMPANY NOW MOVES TOO FAR FROM ITS PREVIOUSLY DECLARED POSITIONS, FORD WILL LOSE CREDIBILITY WITH EGYPTIANS.

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4. ACCORDING OUROUSSOFF, GAZARIN ARGUES THAT COMPANY SHOULD NOT BE "HUNG UP" ON ISSUE OF TARIFF PROTECTION, BUT SHOULD TRUST GOE TO MAKE GOOD ON PROMISE OF 20 PERCENT RETURN. OUROUSSOFF ACKNOWLEDGES THIS APPROACH MIGHT HAVE MERIT, BUT NOTES THAT FORD HAS TO PRESENT MATTER TO ITS BOARD WITH THE KIND OF NUMBERS THAT CLEARLY DEMONSTRATE PROJECT'S VIABILITY.

5. FOLLOWING CONVERSATION WITH OUROUSSOFF, EMBOFF SAW GAZARIN AT DINNER AND HAD BRIEF DISCUSSION OF FORD PROJECT. GAZARIN EMPHASIZED POLITICAL DIFFICULTY OF GETTING HIGH DIFFERENTIAL TARIFF RATE FOR PROJECT APPROVED BY PEOPLES ASSEMBLY. SIGNIFICANCE OF 25 PERCENT FIGURE PUT FORWARD BY SHAHIN WAS THAT IT WAS SAME DIFFERENTIAL BETWEEN CKD AND BU UNITS WHICH UNTIL A FEW YEARS AGO HAD PREVAILED. THUS, 25 PERCENT FIGURE COULD EASILY BE DEFENDED IN ASSEMBLY. GAZARIN SAID GOE WOULD PROBABLY ALSO GO ALONG WITH A 5 PERCENT ADDITIONAL DUTY, FOR A TOTAL DIFFERENTIAL OF 30 PERCENT, BUT THIS WAS MAXIMUM THAT HE FELT COULD BE CONSIDERED. GAZARIN CONCLUDED BY NOTING THAT FORD

SHOULD BE WILLING PAY A SUBSTANTIAL PRICE TO BE  
REMOVED FROM BOYCOTT LIST -- AN EXPLICIT STATEMENT OF  
ATTITUDE WITH WHICH GOE APPEARS FROM BEGINNING TO HAVE  
APPROACHED THIS PROJECT.

6. OUROUSSOFF PROMISED INFORM US OF SUBSTANCE OF  
FORD REPLY TO KAISOOUNI, WHICH WE WILL REPORT.

7. ABOVE GENERALLY CONSISTENT WITH WHAT FORD ME VICE PRESIDENT  
WILLIAMS TOLD AMBASSADOR IN LONDON DURING BRIEF TELECON. WILLIAMS  
ALSO STATED KAISOOUNI HAD SAID HE WOULD "OVERRIDE" SHAHIN, BUT  
WAS CLEARLY WORRIED ABOUT POLITICAL PROBLEMS SHAHIN'S CRITICISMS  
COULD GENERATE IN PEOPLES ASSEMBLY. KAISOOUNI TOLD WILLIAMS HE  
HOPED BE ABLE DEAL WITH MATTER IN ABOUT A WEEK AFTER FORMER'S RETURN  
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TO CAIRO. KAISOOUNI RETURNED OCTOBER 10. WE UNDERSTAND  
MINECON HAMID AL-SAYIGH, WHO  
WAS PRESENT DURING LONDON TALKS, HAS ASKED TO SEE OUROUSSOFF TO-  
DAY WHICH MAY PORTEND SOME NEW DEVELOPMENT.  
EILTS

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## Message Attributes

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